

PUBLIC DISCLOSURE

APRIL 5, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

INDUSTRIAL CREDIT UNION

ONE LIBERTY SQUARE
BOSTON, MASSACHUSETTS 02109

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (the Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **INDUSTRIAL CREDIT UNION** (or the Credit Union) prepared by the Division, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

A CRA rating of "Satisfactory" is assigned. A credit union in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire assessment area, including low and moderate-income borrowers, in a manner consistent with its resources and capabilities.

The Credit Union's average net loan-to-share ratio for the previous eight quarters is 62.2 percent. The ratio has reflected a steady trend during the examination period. The Credit Union maintained a reasonable position when compared to other community credit unions of similar asset size. The Credit Union meets the standards for satisfactory performance in this criterion.

Lending within the assessment area represented 80.9 percent of the Credit Union's residential loans, which is considered to exceed the standards of satisfactory performance.

An analysis of the Credit Union's residential mortgages and a sample of consumer loans by borrower income revealed that 19.4 percent of residential mortgages and 69.5 percent of the sample of consumer loan originations were granted to members of low and moderate-income. A rating of meets satisfactory performance was granted for this criterion.

An analysis of the Credit Union's lending activity by geographies revealed that 23.6 percent of mortgage originations were granted within low or moderate-income census tracts. A rating of exceeds satisfactory performance was granted for this criterion.

The Credit Union's fair lending performance is considered satisfactory given the size and resources of this institution.

PERFORMANCE CONTEXT

Description of Institution

Industrial Credit Union is an \$85 million community credit union chartered by the Commonwealth of Massachusetts in 1910. Over the years, many long-term relationships have developed with members who still work in Boston, but maintain primary residences outside of the Boston area.

The Credit Union maintains one office at One Liberty Square, in Boston's Financial District. It moved to this location from its previous location at 126 State Street in January of 2002. Business hours are 8:00 A.M. to 3:30 P.M. Monday through Friday. An Automatic Teller Machine (ATM) is located at the Credit Union's office, and is connected to several networks including Cirrus, NYCE, Exchange, American Express, Discovery, Novice and SUM. The Credit Union's current membership totals 2,900 members.

As of December 31, 2003, the Credit Union's total assets were \$85,030,892 with total loans representing \$40,939,211 or 48.1 percent of total assets. The majority, or 85.9 percent, of the Credit Union's loan portfolio consists of first mortgage loans, followed by Other Real Estate (ORE)/Lines of Credit loans, representing 9.7 percent.

The following table depicts the Credit Union's loan portfolio composition by loan type.

LOAN PORTFOLIO COMPOSITION		
LOAN TYPE	\$ AMOUNT (000's)	%
First Mortgages	\$ 35,172,141.00	85.9%
ORE/Lines of Credit	\$ 3,962,845.00	9.7%
Share Secured	\$ 558,414.00	1.4%
Unsecured Credit Cards	\$ 399,964.00	1.0%
Personal Unsecured	\$ 363,291.00	0.9%
Used Auto	\$ 303,405.00	0.7%
New Auto	\$ 179,151.00	0.4%
TOTALS	\$40,939,211.00	100.00%

December 31, 2003 NCUA Call Report of Condition

Description of Institution (continued)

During the current examination period, the Credit Union applied for and was granted additional lending authority under the Parity Provisions of the Massachusetts General Laws.

The granted powers are described below:

- Personal loans up to \$50,000 for a term up to 10 years pursuant to 209 CMR 50.06(3)(e);
- 100 % loan-to-value for new and used automobiles and motorcycles up to \$100,000 of the retail book value or purchase price, whichever is less, for a term up to 10 years pursuant to 209 CMR 50.06(3)(f);
- Increase Visa credit card limits up to \$50,000 pursuant to 209 CMR 50.06(3)(g);
- Home improvement loans up to \$100,000 for a term up to 20 years pursuant to 209 CMR 50.06(3)(i)1.;
- Mobile home loans up to \$35,000 for a term decreased to 20 years pursuant to 209 CMR 50.06(3)(i)2.;
- Boat, camper, and trailer loans up to \$100,000 for a term up to 20 years pursuant to 209 CMR 50.06(3)(i)3.;
- First mortgage up to \$1,000,000 for a term up to 40 years pursuant to 209 CMR 50.06(3)(j);
- Second mortgages decreased to \$150,000 for a term decreased to 20 years pursuant to 209 CMR 50.06(3)(j);
- Home equity lines of credit up to \$500,000 for a term up to 25 years pursuant to 209 CMR 50.06(3)(j); and
- Corporate checking accounts pursuant to 209 CMR 50.08(3)(a).

Members are provided with direct deposit for payroll and automatic payroll deductions for loan payments.

Competition within the Credit Union's assessment area includes a variety of community-based and industrial credit unions, small loan companies, community banks and larger regional banks. Given its asset size and limited resources, the Credit Union has been fair in helping to meet the credit needs of its assessment area.

The Credit Union was last examined for compliance with the Community Reinvestment Act by the Division of Banks on December 20, 1999. That examination resulted in a Satisfactory rating.

Description of Assessment Area

The Credit Union's by-laws state, in part, that "[a]ll persons living or doing business in Boston shall be eligible to membership, including employees of companies located within a 30 mile radius of the office for which the Credit Union offers Payroll Deduction Services..."

Industrial Credit Union has defined its assessment area as the Boston MSA, which includes the following counties: Bristol, Essex, Middlesex, Norfolk, Plymouth, Suffolk, and Worcester.

Demographic information reflecting 1990 and 2000 census data

In 2003, the U.S. Census Bureau released its revised demographics based upon 2000 data. The following describes both 1990 and 2000 census data of Industrial Credit Union's assessment area.

1990 Census Data

The Credit Union's assessment area reflecting 1990 census data includes 710 census tracts. Of these census tracts, 48 or 7 percent, are designated as low-income; 163 or 23 percent of the census tracts are designated as moderate-income; 319 or 45 percent are designated as middle-income, 162 or 23 percent are designated as upper-income and 18 census tracts or 3 percent are designated "not applicable" (N/A).

Housing information based on 1990 census data of the Credit Union's assessment area indicated a median owner-occupancy level of 53 percent and a median home value of \$196,025. The minority population within the assessment area represented 14 percent, where individuals of African-American origin represent the highest percentage of minority residents with 6 percent, followed by Hispanic residents with 4 percent.

2000 Census Data

The Credit Union's assessment area reflecting 2000 census data includes 700 census tracts. Of these census tracts, 60 or 9 percent are designated as low-income; 145 or 21 percent of census tracts are designated as moderate-income; 308 or 44 percent are designated as middle-income; and 185 or 26 percent are designated as upper-income. There are 2 census tracts designated as "not applicable" (N/A).

Housing information based on 2000 census data of the Credit Union's assessment area indicated a median owner-occupancy level of 56.7 percent and a median home value of \$245,511. The minority population within the assessment area represented 20 percent, where individuals of African-American origin represent the highest percentage of minority residents with 7 percent, followed by Hispanics with 6 percent.

2000 Census Data (continued)

The significant changes in demographic data between the 1990 and 2000 census include the increase in the minority population from 14 percent to 20 percent; the reduction of census tracts designated "N/A" from 18 tracts to 2 tracts; and the increase in owner-occupancy levels from 53 percent to 56.7 percent.

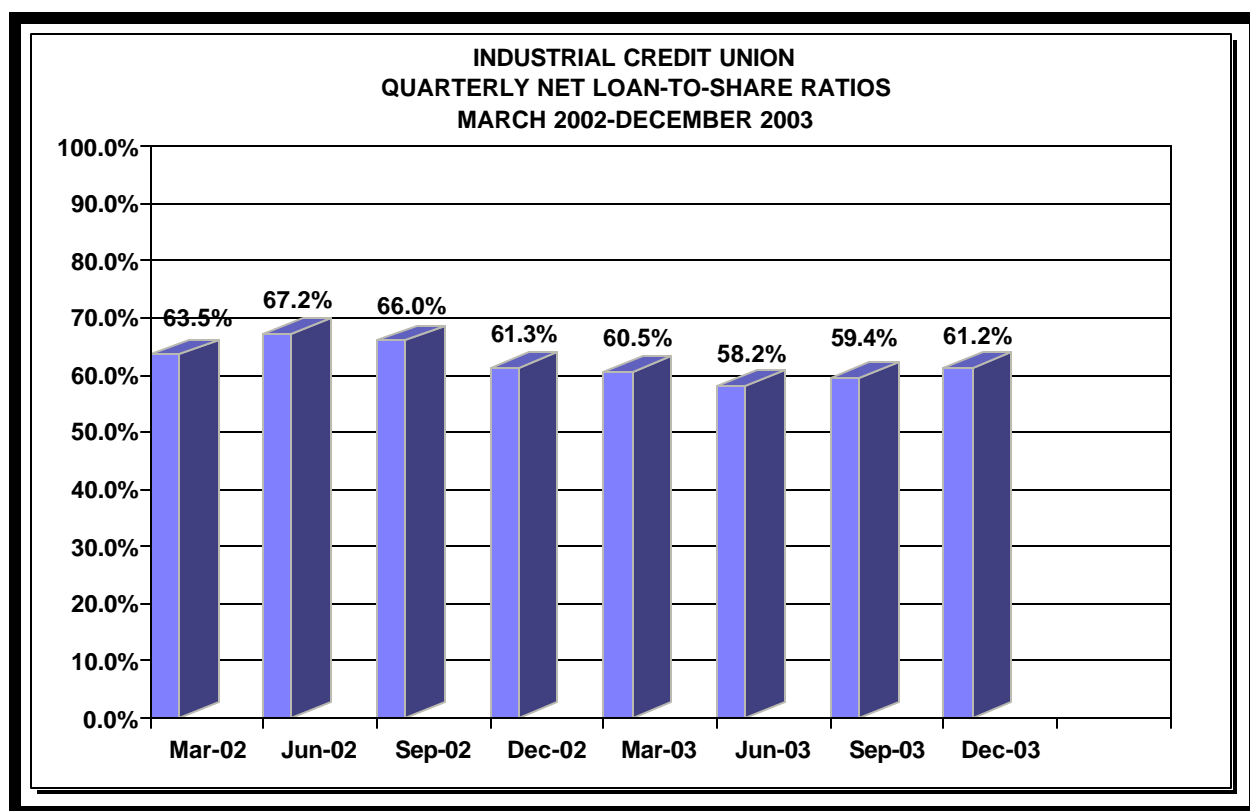
PERFORMANCE CRITERIA

1. LOAN TO SHARES ANALYSIS

The first criterion evaluated was the Credit Union's net loan to total share ratio. The average net loan to total share ratio was determined to be 62.2 percent, and is considered to meet the standard for satisfactory performance.

A comparative analysis of the Credit Union's net loan-to-share ratios for the period of March 30, 2002 through December 31, 2003 was conducted during this examination. The analysis incorporated net loans to total share figures from the institution's quarterly National Credit Union Administration (NCUA) Call Reports of Condition.

The following graph illustrates the loan to share trends.



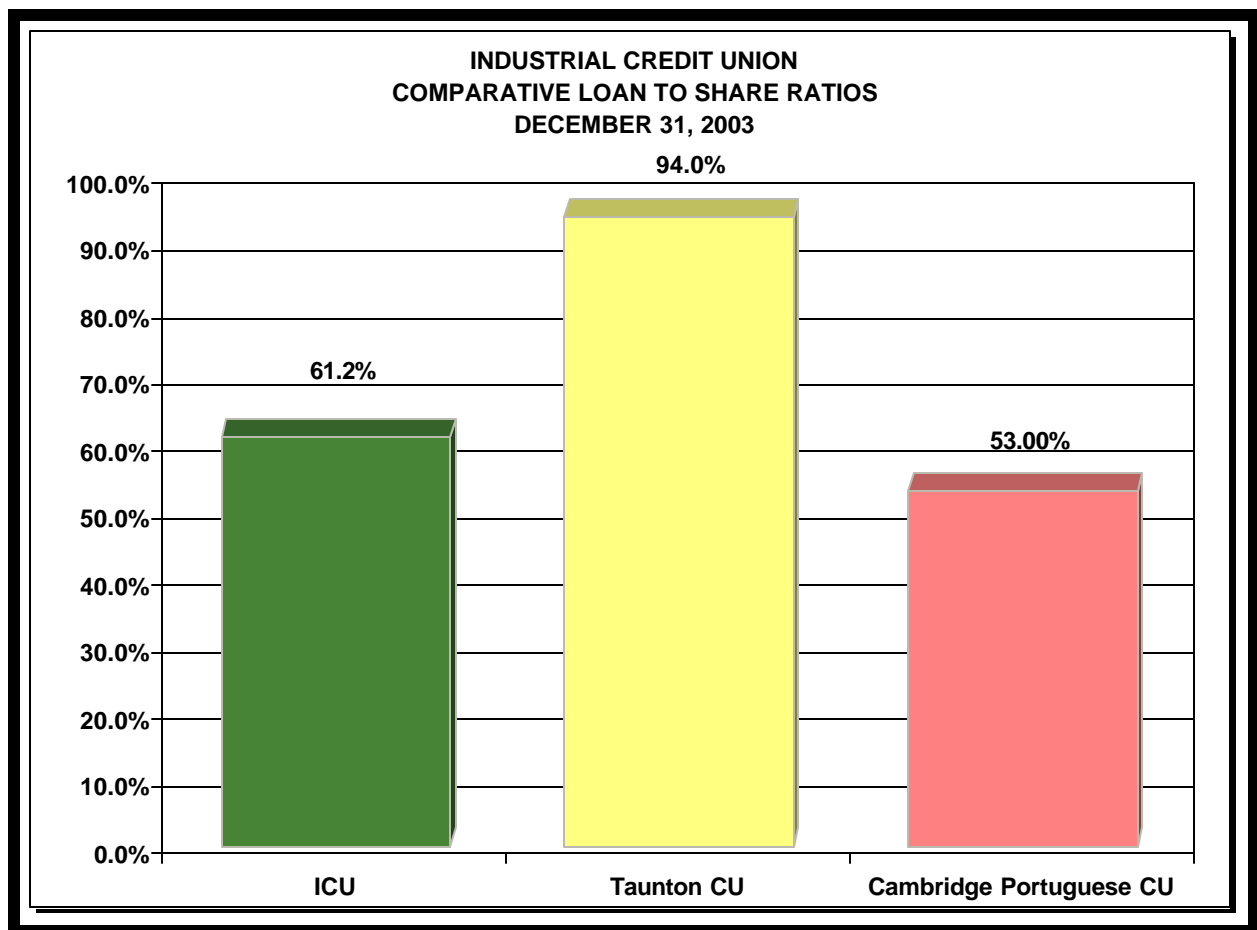
Source: NCUA Call Reports

LOAN TO SHARES ANALYSIS (continued)

In reference to the above graph, the loan-to-share ratio reflects a relatively stable trend. There was a decline in the above ratios between September 2002 and December 2002. In discussions with management, it was stated that there was substantial refinancing activity during this period, due to attractive interest rates where members paid off their consumer debts.

In further discussions with management, the overall increase in the ratios from the previous examination was due to the issuance of parity powers granted by the Division of Banks.

The following table illustrates the loan-to-share ratios, as of December 31, 2003, for comparable community credit unions. The Credit Union's loan-to-share ratio is adequate when compared to the other institutions.



Source: NCUA 5300 Reports December 31, 2003 (NCUA Website)

Based on the above information, including the institution's capacity to lend, the lending capacity of similarly-situated institutions, demographic and economic factors, and the lending opportunities available within the assessment area, the Credit Union's loan-to-share ratio is considered to meet the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

A review of the Credit Union's residential loans extended inside and outside of the assessment area was conducted during the examination. The Credit Union's 2002 and 2003 Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within its assessment area. During this period, the Credit Union originated 89 residential loans, totaling \$23,594,000. Of this amount, 72 loans or 80.9 percent, of the number were originated within the Credit Union's assessment area. Norfolk County accounted for the largest number of originations with 25 loans or 28.1 percent.

Refer to the following table for additional information regarding the Credit Union's residential mortgage lending, by number.

RESIDENTIAL LENDING ACTIVITY INSIDE AND OUTSIDE THE ASSESSMENT AREA BY NUMBER

	2002		2003		TOTAL	
LOCATION BY COUNTY	#	%	#	%	#	%
NORFOLK	12	30.0	13	26.5	25	28.1
ESSEX	5	12.5	8	16.3	13	14.6
MIDDLESEX	7	17.5	5	10.2	12	13.5
SUFFOLK	5	12.5	7	14.3	12	13.5
PLYMOUTH	2	5.0	7	14.3	9	10.1
WORCESTER	1	2.5	0	0.0	1	1.1
BRISTOL	0	0.0	0	0.0	0	0.0
TOTAL INSIDE ASSESSMENT AREA	32	80.0	40	81.6	72	80.9
OUTSIDE ASSESSMENT AREA	8	20.0	9	18.4	17	19.1
TOTAL	40	100%	49	100%	89	100%

Source: HMDA/LAR – 2002 and 2003

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S) (continued)

An analysis by dollar amount was also conducted. Of the total dollar amount originated, \$19,988,000, or 84.7 percent was originated within the Credit Union's assessment area. Norfolk County accounted for the largest amount with \$6,926,000 or 29.4 percent.

Refer to the following table for additional information regarding the Credit Union's residential mortgage lending, by dollar amount.

RESIDENTIAL LENDING ACTIVITY INSIDE AND OUTSIDE THE ASSESSMENT AREA BY DOLLAR AMOUNT

	2002		2003		TOTAL	
LOCATION BY COUNTY	\$(000)	%	\$(000)	%	\$(000)	%
NORFOLK	3,615	33.6	3,311	25.8	6,926	29.4
SUFFOLK	2,037	18.9	2,408	18.8	4,445	18.8
MIDDLESEX	1,417	13.2	1,830	14.3	3,247	13.8
ESSEX	1,136	10.5	1,863	14.5	2,999	12.7
PLYMOUTH	465	4.3	1,715	13.4	2,180	9.2
WORCESTER	191	1.8	0	0.0	191	0.8
BRISTOL	0	0	0	0	0	0
TOTAL INSIDE ASSESSMENT AREA	8,861	82.3	11,127	86.8	19,988	84.7
OUTSIDE ASSESSMENT AREA	1,910	17.7	1,696	13.2	3,606	15.3
TOTAL	10,771	100%	12,823	100%	23,594	100%

Source: HMDA/LAR – 2002 and 2003

The Credit Union's overall loan distribution reflects an excellent dispersion throughout the assessment area. Therefore, the institution's level of lending within its assessment area exceeds the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of residential loans and a sample of consumer loans extended within the Credit Union's assessment area, among borrowers of various income levels were conducted. Originations were categorized by the ratio of the applicant's reported incomes to the 2002 and 2003 Metropolitan Statistical Area (MSA) incomes. The Credit Union's assessment area includes counties located within the Boston MSA. The median family incomes for the Boston MSA were \$74,200 for 2002 and \$80,800 for 2003. Income figures were based on estimated 2002 and 2003 data from the Department of Housing and Urban Development (HUD).

Low income is defined by the U.S. Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

RESIDENTIAL LENDING

The following table provides a breakdown by applicant income level of 72 residential mortgage loans, originated within the Credit Union's assessment area. The information included in the table below indicates that 5 loans, or 6.9 percent, of the residential mortgage originations were granted to members of low-income and 9 loans, or 12.5 percent, were originated to moderate-income members. The largest number of originations, 52.8 percent, were to upper-income borrowers.

The following table presents the results of the above analysis.

RESIDENTIAL LOANS BY INCOME OF BORROWER **BY NUMBER**

% OF MEDIAN MSA INCOME	2002		2003		TOTAL	
	#	%	#	%	#	%
<50%	2	6.3	3	7.5	5	6.9
50% - 79%	1	3.1	8	20.0	9	12.5
80% - 119%	11	34.4	8	20.0	19	26.4
120% >	17	53.1	21	52.5	38	52.8
NA	1	3.1	0	0.0	1	1.4
TOTAL	32	100%	40	100%	72	100%

Source: HMDA/LAR CRA WIZ – 2002 and 2003

DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS (continued)

The information included in the table below indicates that \$696,000, or 3.5 percent of the residential mortgage originations, were granted to members of low-income and \$1,318,000, or 6.6 percent, were granted to moderate-income members. The largest number of originations, 69.1 percent, was to upper-income members.

RESIDENTIAL LOANS BY INCOME OF BORROWER
BY DOLLAR AMOUNT

% OF MEDIAN MSA INCOME	2002		2003		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%
<50%	101	1.2	595	5.4	696	3.5
50% - 79%	145	1.6	1,173	10.5	1,318	6.6
80% - 119%	2,255	25.4	1,707	15.3	3,962	19.8
120% >	6,160	69.5	7,652	68.8	13,812	69.1
NA	200	2.3	0	0.0	200	1.0
TOTAL	8,861	100%	11,127	100%	19,988	100%

Source: HMDA/LAR CRA WIZ – 2002 and 2003

DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS (continued)

CONSUMER LENDING

A sample of four consumer loans was reviewed to determine the distribution of loans among borrowers of different income levels. The largest number of the consumer loans, 18 loans or 39.1 percent, was granted to moderate-income members, followed by 14 loans or 30.4 percent, granted to low-income members.

The following table presents the results of the above analysis.

CONSUMER LOANS BY INCOME OF BORROWER BY NUMBER

% OF MEDIAN MSA INCOME	2002		2003		TOTAL	
	#	%	#	%	#	%
<50%	5	23.8	9	36.0	14	30.4
50% - 79%	9	42.9	9	36.0	18	39.1
80% - 119%	5	23.8	4	16.0	9	19.6
120% >	2	9.5	3	12.0	5	10.9
TOTAL	21	100%	25	100%	46	100%

Source: in-house File for 2002 and 2003

By dollar amount, the largest percentage of consumer loans, 45.5 percent, was granted to low-income members, followed by 25.9 percent, granted to moderate-income members.

CONSUMER LOANS BY INCOME OF BORROWER BY DOLLAR AMOUNT

% OF MEDIAN MSA INCOME	2002		2003		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%
<50%	46	27.2	157	56.7	203	45.5
50% - 79%	53	31.1	63	22.7	116	25.9
80% - 119%	30	17.6	31	11.2	61	13.6
120% >	41	24.1	26	9.4	67	15.0
TOTAL	170	100%	277	100%	447	100%

Source: in-house Files – 2002 and 2003

DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS (continued)

The distribution of lending demonstrates the Credit Union's willingness to lend to members of low and moderate-income. The majority of the consumer loans were granted to single applicants. Therefore, the percentage of originations occurring in low- and moderate-income levels would be higher than that of residential mortgage originations, where the income is usually the result of joint combined incomes and where the comparison is made to the standard of median family income.

The distribution of credit among borrowers of various incomes reflects a good penetration among individuals of different income levels, including those of low- and moderate-income. Therefore, the distribution of credit among different income levels meets the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

Residential mortgage lending activity within the assessment area was reviewed to determine the extent to which the credit union has been able to penetrate its low, moderate, middle and upper-income geographies. The census tract incomes were based on 1990 and 2000 census data.

The following table provides a breakdown of mortgage loans originated within the Credit Union's assessment area by census tract. Information included in the table indicates that the largest percentage of originations, 45.8 percent, was within middle-income census tracts, which is reflective of the demographics of the Credit Union's assessment area. It should be noted that 23.6 percent of originations were located within census tracts designated as low or moderate income.

DISTRIBUTION OF RESIDENTIAL LOANS BY CENSUS TRACT DESIGNATION BY NUMBER

% CENSUS TRACT INCOME	2002		2003		TOTAL	
	#	%	#	%	#	%
<50%	0	0.0	2	5.0	2	2.8
50% - 79%	6	18.8	9	22.5	15	20.8
80% - 119%	15	46.8	18	45.0	33	45.8
120% >	11	34.4	11	27.5	22	30.6
TOTAL	32	100%	40	100%	72	100%

Source: HMDA/LAR CRA WIZ - 2002 and 2003

DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS (continued)

The following table provides a breakdown of mortgage loans originated within the Credit Union's assessment area by census tract income by dollar amount. Information included in the table indicates that the largest percentage of originations, 43.9 percent, was within upper-income census tracts. It is noted that 22.8 percent of originations by dollar amount is located within census tracts designated low- or moderate income.

DISTRIBUTION OF RESIDENTIAL LOANS BY CENSUS TRACT DESIGNATION BY DOLLAR AMOUNT

% CENSUS TRACT INCOME	2002		2003		TOTAL	
	\$ (000)	%	\$ (000)	%	\$ (000)	%
<50%	0	0.0	1,428	12.9	1,428	7.1
50% - 79%	1,367	15.5	1,767	15.8	3,134	15.7
80% - 119%	3,140	35.4	3,512	31.6	6,652	33.3
120% >	4,354	49.1	4,420	39.7	8,774	43.9
TOTAL	8,861	100%	11,127	100%	19,988	100%

Source: HMDA/LAR CRA WIZ - 2002 and 2003

Based on the analysis of the geographic distribution of mortgage loans and the assessment area's demographics, lending among various census tracts including those designated as low- and moderate income exceeds the standards of satisfactory performance.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

A review of the public comment file revealed that the credit union received no complaints pertaining to the institution's CRA performance since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

The Credit Union has included in its loan policy a statement that reflects its commitment to the principles and practices of fair lending. The policy of the Credit Union is to make sure all of its credit products are available to all applicants on a consistent and fair basis, provided that the applicant meets established guidelines of safe and sound lending.

REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES (continued)

The Credit Union's marketing activity includes placing information on its credit products and services in public view within the main lobby of its office. The Credit Union also includes statement stuffers in correspondence sent out to the membership and there are brochures located in the Credit Union's lobby. The Credit Union maintains a website "ICU.org" where members can access their account information, search for products and services, and make payments and transfers. The Credit Union's website provides links where members can access information on current banking issues including predatory lending and H.O.M.E.'s website. The Credit Union places advertisements in many of the local publications within the Boston MSA.

The Credit Union has a total of nine full-time employees.

The Credit Union does not offer flexible lending products. However, members are referred to the Credit Union's two correspondents: CUMEX and Members Mortgage, which offer the FNMA Neighbors/Community Homebuyers Program, FNMA two- and three-family unit pilot program, various first time homebuyer products, and FHA and VA programs.

The Credit Union refers its membership to first-time homebuyer seminars sponsored by Members Mortgage and Cumex Mortgage.

The Credit Union has a second review policy in place. Loans facing adverse action are re-examined to ensure that underwriting criteria have been properly and fairly applied and that all compensating factors that could contribute to a loan approval have been taken into account and applied consistently. The second review process is completed by the credit committee which includes three directors.

The criteria for the various types of credit offered, as well as the procedures for completing a loan application were reviewed during the examination. No practices intended to discourage applications were noted.

Based on the foregoing information, the Credit Union meets the standards for satisfactory performance in this category.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

INDUSTRIAL CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **April 5, 2004**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that area shall also include the address of the designated office for that area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.